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UNCLAS SECTION 01 OF 02 KUWAIT 000585

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TAGS: [PREL](#) [PGOV](#) [ENRG](#) [ECON](#) [PINR](#) [KU](#)  
SUBJECT: NEW ELECTRICITY AND WATER MINISTER DISCUSSES  
IMPENDING POWER SHORTAGES WITH AMBASSADOR

REF: A. KUWAIT 430  
[1](#)B. KUWAIT 273

[1](#)1. (SBU) On 21 April, Ambassador met with new Minister of Electricity and Water Mohammed Abdullah Al-Elaim to congratulate him on his appointment (Ref. A) and discuss the power shortages that Kuwait is expected to suffer beginning in summer 2007. The Minister explained that he was reluctant to accept the appointment since he was aware of the demands and challenges he would face with regard to the growing gap between power consumption and power generation (Ref. B). In the end, he said, he decided to accept the appointment since power "was a problem that someone would have to deal with for the good of the country." Al-Elaim said his new work routine had him arriving for work at 0630 and frequently leaving at midnight with just a short break in the afternoon. Regarding supplementary power generation for summer 2007, Al-Elaim said that all of the projects were underway, but only some would be completed by the established deadline. As to supplementary power generation for 2008, Al-Elaim said bidding was now closed and a decision would soon be made regarding which of the 15 bidders should be awarded a contract. When the Ambassador asked a about long-term investment in projects such as the 2500 MW Al-Zour North (AZN) power plant which has been repeatedly delayed, Al-Elaim said that his focus now was on 2007 and 2008, but he expected the AZN project to be re-tendered in the near future, pending approval from the Central Tenders Committee. Underlining the urgent need to focus the Ministry's efforts on dealing with summer 2007, the Minister said he had canceled summer leave for all Ministry employees. He emphasized that it was critical that all of the summer 2007 projects be finished on time. In order to encourage contractors to meet their deadlines, Al-Elaim said he informed contractors that any companies failing to complete projects on time would be blacklisted to prevent them from competing for any future contracts.

[1](#)2. (SBU) In order to tackle the problem of excessive consumption, Al-Elaim said he planned to be "completely transparent" with the public with regard to the power shortages that can be expected if consumption is not brought under control. Al-Elaim said the Ministry would conduct an aggressive media campaign on energy conservation while concurrently implementing a program to reduce consumption in government agencies. Though a member of the Islamic Constitutional Movement, the political branch of the Kuwaiti Muslim Brotherhood, El-Elaim even recommended turning off air conditioning in mosques except during prayer times. The Minister also mentioned the importance of enforcing the collection of electrical bills to help consumers to recognize the cost of overconsumption. (Note: Under the current system, Kuwaitis are effectively exempt from paying electricity bills. See Ref. B for elaboration.)

¶3. (SBU) When the Ambassador asked how the Embassy could help, Al-Elaim noted that few American companies had bid for supplementary power contracts and asked for feedback as to contractors complaints about the public tendering process in Kuwait. Ambassador explained that contractors generally expressed dissatisfaction with the level of liability that was imposed on them in Kuwaiti contracts in addition to the onus of having to work through a Kuwaiti agent who typically extracts a hefty commission but adds little value. Econoff added that many contractors complained that Kuwaiti contractual terms and conditions failed to reflect the rising material costs, increasing demand for labor, and the growing number of opportunities present in the regional construction market. Ambassador promised to provide Al-Elaim with a detailed list of criticisms of the government contracting process.

¶4. (SBU) Bio note: Al-Elaim graduated from North Carolina A&T with a degree in Industrial Engineering after transferring from the University of Illinois, Urbana-Champaign.

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